MACDONALD
BRIDGE
50
YEARS
Fifty Years of Growth

Value Statements

In conducting our business, the Commission is guided by these values:

BUSINESS MODEL – Our business model is based on user pay for services they receive at a reasonable cost. We use our profits for sustainability.

CUSTOMER FOCUS – The Commission management and staff will provide prompt, effective services to our patrons.

COMMUNICATIONS – Our communications are based on trust, mutual respect, openness, and clear and reliable information.

COMMUNITY – We are the major physical connection between two communities. We practice ecological, sociological and fiscal responsibility in our communities. We provide active transportation opportunities.

DECISION MAKING – Our employees are a most valuable asset. We value their years of dedicated service and contributions. They provide both the Commission and our patrons with ongoing exemplary service.

FUTURE GENERATIONS – Our revenue goes to the maintenance of our current assets and the future assets that our customers need.

LEADERSHIP – Our leaders are competent, energetic and focused on a clear direction for the Commission.

TEAM WORK – Our team approach ensures that all members are working towards a shared vision, mission, values and goals.

SAFETY – Safety is a fundamental value and focus of the Commission.

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Commemorative Stamp

On April 2, 2005, exactly 50 years after the ribbon was cut on opening day for the Angus L. Macdonald Bridge on April 2, 1955, the Halifax-Dartmouth Bridge Commission hosted a re-enactment of the Opening Day ceremonies.

To ensure that this Canadian milestone was given its rightful place in philatelic history, Canada Post issued a new domestic rate (50¢) stamp commemorating the 50th Anniversary of the Angus L. Macdonald Bridge. Canada Post set the date of issue for the stamp to coincide with the Bridge's Anniversary date: April 2, 2005.

The Angus L. Macdonald Bridge is part of the Bridges series of four new domestic rate (50¢) stamps from Canada Post, designed by Smith-Boake Designwerke Inc. with photography by Sid Tabak. Other stamps in the series are the Jacques Cartier Bridge, Quebec, the Canso Causeway, Nova Scotia and the Souris Swinging Bridge, Manitoba.

Tom Collins

Simply put, bridges bring people together.

While driving to a meeting one evening in December, I was taken with the beauty of the lit Macdonald Bridge against the cool winter sky. One of our board members really does have a good point that the bridges are *visual focal points* for our Halifax Regional Municipality (HRM) community. I could not help but reflect as I drove along, how so many people over the years have contributed to our community and to the bridges – planning, building, maintaining and operating them. It made me feel rather small and insignificant, as I passed under the bridge structure. But each small part, each contribution has added up to a wonderful long-term community effort.

In 2005, we applauded the 50TH year of operation for the Angus L. Macdonald Bridge. Our celebration focused on the legacy of how this bridge helped to unify the communities of Halifax and Dartmouth. We honoured our history makers and we made new history – hosting the first unified Halifax-Dartmouth Natal Day Parade, the One Billionth Vehicle Crossing of the bridges and a new commemorative statue "The Iron Worker" honouring those who built the Macdonald Bridge.

I admit as a young student, history study seemed a bothersome nuisance to me however, to encourage a change in my lax study habits, my father carefully explained that I should think about "history" as a "*Hi Story*." "You learn from the past to build a better today and to plan for an exciting future," was his sound motivational advice. The "*Hi Story of the Macdonald Bridge*" teaches us a lot about our community and its social and economic development.

So, what have we "learned from the past" that will help us do a better job today and to best plan for future generations of bridge users? How do we ensure that all enjoy the benefits of this wonderful "transportation ribbon," these bridges that bring our communities together?

In the Spring of 2005, the Governor in Council and the HRM appointed a new Board of Commissioners comprised of two new provincial appointees, including me, two provincial re-appointments, and four new Councillor appointees. The Honourable Peter Christie, Minister of Finance for the Province of Nova Scotia and Minister Responsible for the Halifax-Dartmouth Bridge Commission challenged us with new responsibilities. His vision was to

create a market friendly, cost effective, seamless tolling service in the Atlantic Provinces. We got to work helping our political leaders craft a new *Halifax-Dartmouth Bridge Commission Act* that would facilitate this vision.

Our direction changed from being in the business of "*traffic flow management and toll fare collection*" to "*traffic flow management and transportation solutions.*" These changes required us to reshape the description of the "business we are in." In the past, the Commission's Mission Statement was "*To provide safe, convenient and reliable passage for our patrons at an appropriate cost.*" In the future, we will also "*Operate toll systems throughout the Atlantic Region and, if requested, build and operate toll structures.*"

So while publicly commemorating the 50TH Anniversary in 2005, we were very much occupied with planning and staffing for our future mission and responsibilities – building for the next 50 years. We benefited from very sound work from our previous Board(s) and we initiated a lot of new changes – new legislation, new organizational structure, new operating procedures, new planning processes and a 25-year directional plan.

It is important to note that while all of our planning efforts are to guide us to do a better job today, we must have a concern for future generations as well. I repeat our value statement about the future, "*Future Generations – Our revenue goes to the maintenance of our current assets and the future assets that our customers need.*" As our plans unfold, you should understand that we are very concerned about how we handle intergenerational cost transfers (how we share the costs between today's bridge users and future generations). This policy task must be handled with considerable wisdom – not an easy job, but we will endeavour to be good stewards for today's patrons and tomorrow's customers too.

Political leaders and transportation planners, dedicated Board members, management, administration staff, maintenance workers and the Corps of Commissionaires who you see in the lanes 24/7, have all contributed to our "*Hi Story.*" What we have learned from all these "bridge people" is that the Halifax-Dartmouth Bridge Commission has a responsibility to maintain the bridges with utmost care and to provide good cost effective service to our patrons, present and future, at an appropriate cost.

Congratulations to you from our past and to you in the present. May we pass on to future generations that which we now enjoy. These bridges, these *visual focal points,* have contributed so much to the economic well-being and development of our community. They are part of our heritage, part of our "*Hi Story.*"

Respectfully submitted,

Tom Calkin, BSc.C.E., M.B.A., P.Eng., CMC
Chair, Halifax-Dartmouth Bridge Commission

The Vision of the Halifax-Dartmouth Bridge Commission is to provide value to our users and seamless tolling for Atlantic Canada.

Mandate

The Halifax-Dartmouth Bridge Commission (the Commission) is the self-supporting entity that operates two toll bridges, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. It was created in 1950 by a statute of the Province of Nova Scotia and now operates under a statute passed in 2005. In accordance with Section 27 of the *Halifax-Dartmouth Bridge Commission Act:*

27 (1) With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

(2) Where the Government of the Province or the Municipality request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project referred to in subsection (1), the Commission may

(A) conduct such investigation and studies as it considers advisable respecting

(I) the need or advisability of a transportation project referred to in subsection (1),

(II) the proper location of any such transportation project,

(III) the manner or method of financing and operating any such transportation project,

(IV) the probable cost of acquiring lands for the purpose of an additional transportation project and the cost of constructing such transportation project,

(V) any other matter related to the construction, operation or financing of a transportation project referred to in subsection (1) that the Commission considers relevant;

(B) for the purpose of making investigation and studies, engage expert or technical assistance;

(C) defray the cost of its investigations and studies out of the ordinary revenue of the Commission;

(D) make reports and recommendations to the Government of the Province and the Municipality.

(3) Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

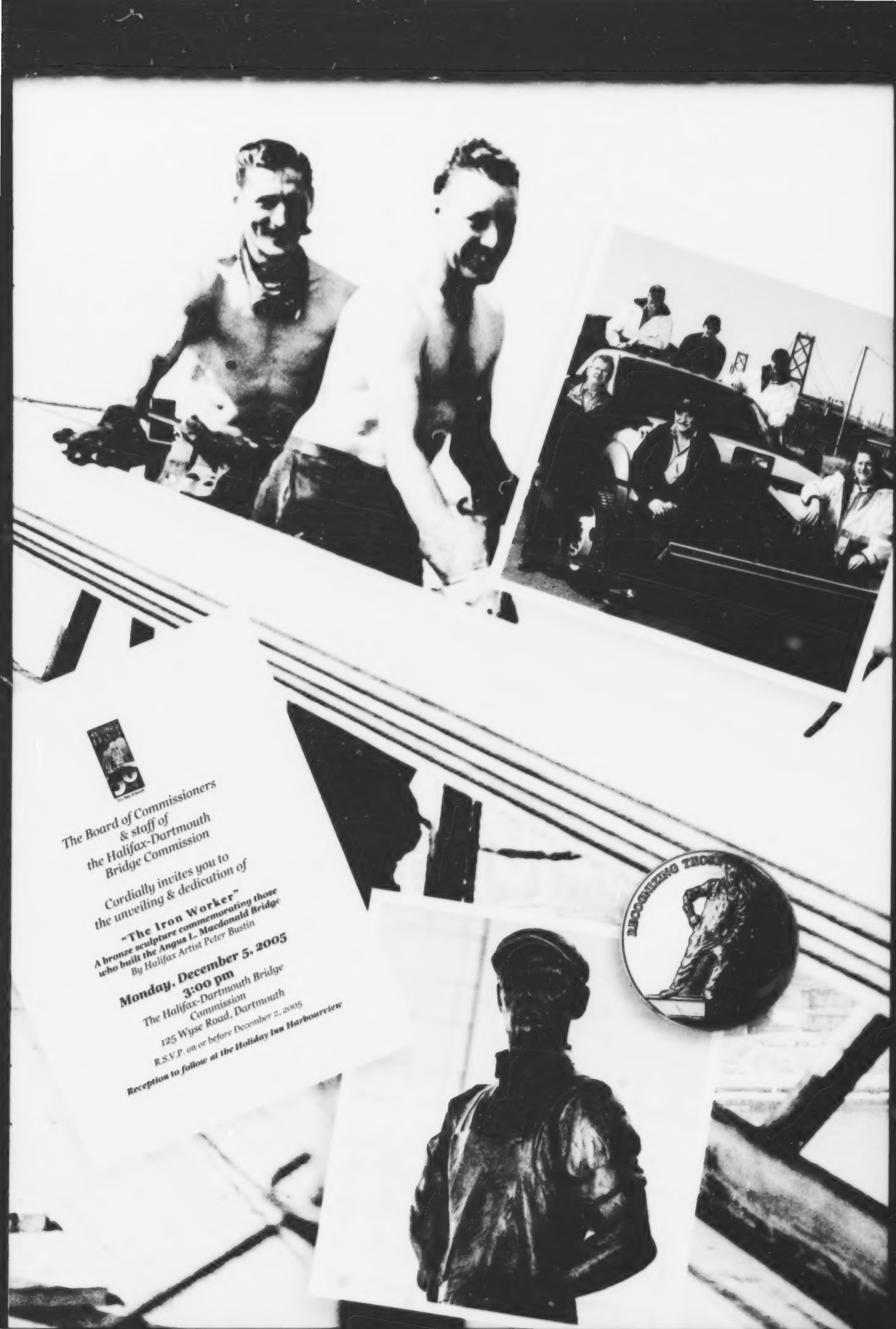
Mission

The Mission of the Halifax-Dartmouth Bridge Commission is to provide safe, convenient, efficient and reliable passage for our patrons at an appropriate cost.

Organizational Structure

The Commission has nine Board members. The Governor in Council appoints five members, including the Chair and Vice-Chair and the Halifax Regional Municipality appoints four Councillors to serve on the Board. We welcomed six new members, in the first quarter of 2005: representing Halifax Regional Municipality (HRM) are Councillors Bob Harvey, Debbie Hum, Linda Mosher and Patrick Murphy. New provincial appointees are Tom Calkin (Chair) and Wayne Mason. Provincial appointees David Covill and Clint Schofield also served on the preceding Board so have provided continuity and balance to our deliberations as we implement our new role. Within the Board structure there are standing committees dealing specifically with Audit; Finance, Administration and Planning; Maintenance; and Public Relations & Marketing.

The Commission employs 30 permanent administrative and maintenance staff and 50 members of the Canadian Corps of Commissionaires, on a contract basis. On a seasonal basis, the Commission employs approximately 37 painters and 11 gardening staff. Staff experienced significant change, in 2005 – new Board, new direction, new mandate and new organizational structure. The Board thanks them for all their extra work and support, this year. They have ensured a sound continuity of our bridge maintenance and operations



The Board of Commissioners
& staff of
the Halifax-Dartmouth
Bridge Commission

Cordially invites you to
the unveiling & dedication of

"The Iron Worker"

A bronze sculpture commemorating those who built the Angus L. Macdonald Bridge

By Halifax Artist Peter Bustin

Monday, December 5, 2005

3:00 pm

The Halifax-Dartmouth Bridge
Commission
125 Wyse Road, Dartmouth

R.S.V.P. on or before December 2, 2005

Reception to follow at the Holiday Inn Harbourview

Highest Traffic Days Recorded

Friday, December 16, 2005	112,041 crossings
Friday, December 17, 2004	112,806 crossings
Friday, December 19, 2003	113,281 crossings
Friday, December 13, 2002	111,894 crossings
Friday, December 14, 2001	110,431 crossings

Number of Days Exceeding 100,000 Crossings

2005	150
2004	128
2003	139
2002	121
2001	43

Core Business Areas

At the outset of 2005, the Commission defined the following core business activities for carrying out its Mission:

- Maintain public and employee safety through on-going review and implementation of the Commission's policies, operations and initiatives;
- Maintain the bridges and its properties in a relatively superior condition through a proactive maintenance program;
- Maintain convenient and reliable passage by working with stakeholders to identify access and egress improvements, which will assist future capacity requirements;
- Continue to market electronic toll collection *(MACPASS)* in order to decrease traffic congestion and accommodate future traffic growth;
- Ensure the Commission's financial stability through efficient financial planning and management.

Strategic Objectives

As a result of new legislation and long-term planning, the Commission spent considerable effort in 2005 reviewing and refining the strategic objectives to include:

- Develop statements of long term cash requirements for inclusion in and in support of the Commission's long-term Directional Plan to be presented to the Nova Scotia Utility and Review Board (NSUARB);
- Develop a Directional Plan communication strategy;
- Focus on strengthening the Commission's relationships with major stakeholders including the Department of National Defence, Halifax Regional Municipality and Halifax Port Authority;
- More efficiently manage the directional flow of traffic in the centre lane of the Angus L. Macdonald Bridge on a traffic demand basis;
- Complete development and implementation of the air gap measurement system to assist with the safe transit of large commercial ships underneath the bridges;
- Develop joint participation on potential Commonwealth Games projects. The Commission will only cover long-term bridge requirements.

Our 2005 Report on Core Business Activities

SAFETY AND EMERGENCY PREPAREDNESS

Good offence is often credited with being the best defence. Toward this, a great deal of 2005 was spent analyzing the resources available to the Commission, identifying partnerships and new ways of doing things that will improve our service delivery to patrons and stakeholders.

Our first initiative was to host an information-sharing workshop for HRM Emergency first responders and Commission staff, early in 2005. This was followed on May 1, with a live exercise on the Macdonald Bridge that put into action the skills previously tested in tabletop exercises. This proved to be tremendously beneficial in providing valuable hands-on experience for all participants. Along with our consultants, we analyzed our responsibility to ensure the safety of the travelling public and the integrity of the structures, and developed a comprehensive Security Plan that will be implemented over the next three years, commencing in 2006.

Enforcing the posted speed limits on the Macdonald and MacKay Bridges is a key component in minimizing the number of personal injury accidents and damage to property. Since 1997, the Commission has utilized various speed enforcement tools in an effort to be more proactive and improve safety.

Monthly speed surveys conducted by the Commission over the past two years, indicate that average speeds on the bridges are exceeding posted limits by an increasing amount. This is despite more than 1,000 tickets being issued on the bridges in 2005, for violations of the *Motor Vehicle Act* (MVA) and *Halifax-Dartmouth Bridge Commission By-laws*. To address this, Operations has undertaken a review of its deployment of resources and personnel and devised a strategy for 2006 that will put a greater police presence on the bridges focusing on more patrols and enforcement of the MVA and Commission By-laws.

MAINTENANCE

In 2005, the Commission met its maintenance priorities – completing the concrete refurbishing program for both bridges, updating the ice cast/weather system on the MacKay Bridge, and completing the fatigue analysis and repair program on the MacKay Bridge as it relates to the orthotropic steel plate deck support, troughs and deck stiffeners. The Commission completed its conversion to using a pre-wet salt application for winter road conditions – it uses less salt and is therefore considered to be more environmentally responsible. The annual painting and rust treatment program was ongoing for both bridges.

Also in 2005, the Commission and the Halifax Port Authority installed a GPS-based system on the Macdonald and MacKay Bridges that measures the air gap of these structures, in real time. This aids in the safe navigation of post-Panamax containerships transiting to Bedford Basin and provides the Commission with valuable information on bridge dynamics. Air gap is the clearance measurement from the waterline of the harbour to the lowest point of a bridge's superstructure. We gratefully acknowledge the technical expertise of the Halifax Marine Pilots and Canadian Hydrographic Service, which has been instrumental to the success of the air gap project. Phase II will be implemented, in 2006.

The Commission's staff and consulting engineers conduct ongoing monitoring and annual inspections of the bridges and approaches. These are part of a detailed and attentive maintenance program designed to ensure the safety of the travelling public and the integrity of the structures. On the occasion of its 50TH birthday, the Macdonald Bridge underwent

MACDONALD BRIDGE Sunday, Aug. 3 • '97

a comprehensive health study, by consulting engineers, Buckland and Taylor, that identified immediate and long-term maintenance requirements. These have been incorporated into the Commission's planning framework – maintenance schedule and capital improvements plan, commencing in 2006. A health study is scheduled to be undertaken for the MacKay Bridge, in 2006.

EFFICIENT TRANSPORTATION

It is the strategic goal of efficient transportation to utilize technology and traffic management tools to provide efficient toll collection, reduce traffic congestion and accommodate future growth. Residents of HRM have benefited directly and indirectly from the conversion of cash and token users to electronic toll collection *(MACPASS)* – faster travel times, added convenience and cost savings over using cash. *MACPASS* reduces toll plaza congestion and idling times – which is good for us all.

In 2005, *MACPASS* processed 85% of the Commission's commercial customer transactions (Classes 2, 3, 4 and 5). Importantly, *MACPASS* is the preferred method of payment for Class 1 commuters. During Monday to Friday, *MACPASS* handles 62% of Class 1 transactions during the morning rush, 6 a.m. until 9 a.m. and 56% of Class 1 transactions during the afternoon peak drive period, 3 p.m. until 6 p.m.

A study conducted in 2005 for HRM and the Commission indicates that the bridges are nearing their capacities during periods of peak travel demand. By facilitating a more efficient flow of traffic over the bridges, *MACPASS* effectively increases the capacity of the bridges.

Similarly, the ability to manipulate the direction that traffic flows in the centre lane of the Macdonald Bridge – on an on-demand basis – enables the Commission to better utilize its capacity. In November 2005, we initiated a trial reversal of traffic flow in the centre lane to accommodate a predicted spike in traffic demand for Halifax-bound patrons attending the Parade of Lights. Building on this success, and with the support of our patrons, further trials are scheduled for 2006.

Much effort was expended in 2005 moving forward with replacement of the Commission's toll system. We started the year with some milestones in mind that, as the year progressed, proved unattainable for a number of reasons. Replacing the toll system remains a priority for 2006.

SOLID FINANCIAL MANAGEMENT

Financial management and stability are achieved through careful review, development and implementation of policies, plans and budgets that allow us to continue to effectively collect tolls, maintain the reliability of internal control systems, meet obligations to Bondholders, meet capital project requirements, manage the Operating and Maintenance Budget, and use the Commission's cash flow for capital expenditures and reduction of debt.

Our measures to achieve solid fiscal management are: maintaining a positive cash flow; and the accumulation of capital and sinking funds with a contribution of $5 million per year to these funds. Indicative of the Commission's solid financial position are our Toll Revenue Bond Series 1 continue to be rated AA (low) and A+.

Passing the Torch

We closed out the year with the retirement of our longest serving employee, Phil Barrett, Maintenance Supervisor. Phil is part of the bridges' history. For 40 years, he has been our "bridge hugger." His warm knowing smile covers up the drive of a man who made sure that the Macdonald and MacKay Bridges were maintained to a superior level. He explains this was done with great maintenance people. Phil's dedication showed in all he did. His story includes working on the bridge from top to bottom – truly a *"Hi Story"* from his lofty perch at the top of the towers. Phil, from all of us at the Commission, we wish you and your wife, Connie, all the very best.

Phil Barrett

A new organizational structure, that included some changes in staffing, was introduced in 2005. On October 31, we welcomed John Birchall, our new Operations Manager. He brings many years of experience in senior airport positions and an extensive knowledge of security and operations. John is charged with the task of bringing in more "market driven" operating policies. For example, our new policy to use the centre lane on the Macdonald Bridge more effectively during special events to facilitate higher traffic flow and improved patron satisfaction. We have introduced these changes slowly. We carefully studied similar three lane bridge systems to ensure that our safety levels are maintained. This change was facilitated with good cooperation provided by HRM traffic officials.

John Birchall

We are pleased to report that Jon Eppell P.Eng. has assumed the leadership of our Maintenance team. Jon was the project engineer on the Macdonald Bridge Third Lane Project with consulting engineers, O'Halloran Campbell Consultants Ltd. With his hands-on knowledge of the bridges and his background in design, Jon is a valuable addition to the Commission. We are confident that his experience and on-going vigilance in maintaining the bridges in the present will ensure future generations inherit sound structures. Jon is part of our *"Hi Story"* and a part of our future.

Jon Eppell

Management Discussion and Analysis

For the Year Ended December 31, 2005

The Halifax-Dartmouth Bridge Commission (the "Commission") is pleased to present its Management Discussion and Analysis with respect to the year ended December 31, 2005.

This MD&A is filed by the Halifax-Dartmouth Bridge Commission (the "Commission") in accordance with Rule 51 – 102 of the Nova Scotia Securities Commission for the year ended December 31, 2005.

Additional information relating to the Commission, including its 1997 prospectus, subsequent annual and interim reports, and its Rule 51 – 102 MD&A for the fiscal year ended December 31, 2005, is available at www.sedar.com.

As the only securities which have been issued by the Commission are its Toll Revenue Bonds Series 1, the Commission reports as a "venture issuer" for the purposes of Rule 51 – 102.

The Commission's web site is www.hdbc.ns.ca.

The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of the Commission for the years ended December 31, 2005 and 2004. It combines an analysis of trends and year – to – year changes in the results with an outlook to the end of 2006. This discussion and analysis should be read in conjunction with the audited financial statements. The dollar amounts in this presentation are in thousands.

The Management Discussion and Analysis and the audited financial statements for the year ended December 31, 2005 have been approved by the Audit Committee of the Commission and by the Commission.

Accounting Policy

The Commission reports as a government business enterprise as defined by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

RESULTS OF OPERATIONS

Dollars in thousands

For the year ended December 31, 2005, net income was $5,383 as compared to $5,620 for the year ended December 31, 2004. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

At December 31, 2005, cash on hand was $8,352 held in an interest bearing account. This cash position is up from the December 31, 2004 balance of $6,845. On August 19, 2005 the Line of Credit was reduced from $19,000 to $17,000. The reduction on the Line of Credit will reduce future interest expense.

REVENUES

Dollars in thousands

Toll Revenue

Toll Revenue for 2005 was up $81 from 2004. Traffic volume in 2005 was up by 164,422 vehicles or 0.5182% over 2004. This increase in traffic volume can be attributed to fewer weather-related disruptions, and no major traffic disruptions due to construction projects in 2005 as compared to 2004.

Other Rate Revenue

Other rate revenue in 2005 was down $51 from 2004 due to re-negotiated lower rates on the cables across the bridges for 2004 & 2005. These rates represent amounts charged to various businesses, utilities and the municipality for the use of the Macdonald Bridge and the MacKay Bridge to run their cables and water line from one side of the harbour to the other.

Investment and Sundry Income

Investment income on the Operations and Maintenance (O&M) Fund, Debt Service Fund and Capital and Sinking Funds amounted to $1,372 for 2005, compared to $1,371 in 2004. These increases are due to increased investments in the Capital Fund and Sinking Fund as required by the Trust Indenture providing for the issue of the Toll Revenue Bonds Series 1 (hereafter, the "Trust Indenture").

Other Revenue

Other Revenue increased in 2005 by $45. This increase was primarily due to the Commission having a larger balance in its interest bearing current bank account.

Total Revenue

These revenue changes resulted in an increase in total revenue during 2005 of $276 compared to 2004.

Revenue Outlook

- Toll revenues are expected to remain the same in 2006 as in 2005.
- Other rate revenues in 2006 are expected to increase over 2005 as all revenue adjustments for re-negotiated rates were recognized in 2005.
- Investment income is expected to increase in 2006 as a result of increased earnings in the Sinking Fund and Capital Fund, to which additional amounts will be transferred from operations in 2006 as required by the Trust Indenture.
- Other income is expected to increase in 2006 over 2005 due to increased funds on deposit and anticipated higher interest rates.

EXPENSES

Dollars in thousands

Operating and Maintenance Charges (OM)

Operating expenses in 2005 increased by $409 compared to 2004. The major operating expenses that increased were: commissionaires $107; insurance $47; wages $204; and public relations $124. The Operating wages overall net increase of $204 includes an expense of $207 for the Supplementary Employee Retirement Plan (see below and Notes to Financial Statements #13). The following operating expenses decreased: professional fees $13; general $13; office $16; and bank charges $3.

Maintenance expenses increased by $1,287 in 2005 compared to 2004. During 2005, increases were seen in the following major maintenance expense items: bridge maintenance $686; building maintenance $7; vehicle maintenance $19; equipment maintenance $13; gas, oil, grease $4; light and power $5; and wages $556. The Maintenance wages overall net increase of $556 includes an expense of $339 for the Supplementary Employee Retirement Plan (see below and Notes to Financial Statements #13). The following maintenance expense items decreased: engineers' fees $46; and painting $8.

In 2005, Operations and Maintenance wages increased due to a one time pension accrual adjustment required for employees that changed from the former Defined Benefit Pension Plan to the current Defined Contribution Pension Plan. This is a Supplementary Employee Retirement Pension (SERP). This accrual amounted to $546 in present value dollars which is subject to approval by the Department of Finance, Province of Nova Scotia.

The Supplementary Employee Retirement Plan (SERP) is an unfunded defined benefit pension plan which provides for benefits to employees under the following conditions. In summary, benefits are payable for up to ten (10) years commencing at age 60. Benefits are in respect of service prior to January 1, 1991 and no further benefits are being accrued by existing members nor will there be future members under this arrangement. Pension benefits are based on length of service and earnings up to 1991. Benefits are not indexed for inflation either before or after retirement.

Amortization of Property, Plant and Equipment

Amortization (depreciation) of property, plant and equipment for the year 2005 decreased by $49 compared to 2004 due to fewer capital asset purchases in 2005.

Amortization of Deferred Transponder Charges

Continuing with policy established in 2000 regarding the handling of transponders, the amortization charges in 2005 were the same as in 2004 (See Notes to Financial Statements #9).

Interest on Long-Term Debt and Amortization of Deferred Financing Costs

Interest on Toll Revenue Bonds Series 1 was down $68 compared to 2004 as a result of the reduction in the long term debt in 2004. Interest expense on the Line of Credit was up by $15 in 2005 compared to 2004 as a result of higher interest rates in 2005 which was offset slightly by the reduction in the Line of Credit by $2,000 on August 19, 2005. Amortization of deferred financing costs in the year 2005 decreased by $185 over 2004 due to reduced deferred financing costs resulting from the bonds purchased for cancellation in 2004.

Gain on Disposal of Property, Plant and Equipment

The Commission recognized an overall gain on the disposal of property, plant and equipment in 2005 of $7 compared to an overall loss of $360 in 2004.

Total Expenses

Expense variations resulted in an increase in total expenses for 2005 of $1,042 compared to 2004.

Expense Outlook

- OM expenses are expected to increase in 2006 over 2005 due to continued overall bridge maintenance, increased insurance premiums and professional fees.
- Amortization of property, plant and equipment is expected to increase in 2006 from the amount charged in 2005 due to major budgeted 2006 capital asset purchases.
- Interest on Toll Revenue Bonds Series 1 and amortization of deferred finance costs for 2006 are expected to remain consistent with 2005.
- Interest on the Line of Credit is expected to increase in 2006 compared to 2005 due to anticipated interest rate increases.

APPROPRIATION TO RESTRICTED ASSETS

Dollars in thousands

As required by the Trust Indenture, the Commission has established two reserve funds: the OM Fund equal to 25% of annual OM expenses and a Debt Service Fund equal to 50% of annual interest costs on the Toll Revenue Bonds Series 1. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of surplus (deficit) on the Statement of Income and Deficit. OM and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the Trust Indenture.

Under the terms of the Trust Indenture, beginning in 2000 the Commission established a Sinking Fund to which it deposits $500 quarterly and a Capital Fund to which it deposits $750 quarterly (the amounts of these required contributions are not affected by the reduction to the principal amount of Bonds outstanding). These funds are restricted in their use and are designated as such in both the asset and equity sections of the Balance Sheet. Contributions to both of these funds will continue until maturity of the Toll Revenue Bonds Series 1 on December 4, 2007.

Appropriation to Restricted Assets Outlook
Under the terms of the Trust Indenture, the Commission will maintain and contribute to the four funds as required for 2006.

NET INCOME OUTLOOK

- Revenue for 2006 is expected to increase slightly over 2005.
- Expenses for 2006 are expected to increase over 2005.
- Overall, it is expected that net income for 2006 will decrease from 2005.

LIQUIDITY AND CAPITAL RESOURCES
Dollars in thousands

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the audited financial statements, which indicates a positive cash flow for 2005 of $1,507.

Operating Activities
The Commission's operating activities generated $10,616 in positive cash flow during 2005. In 2004, a positive cash flow from operations of $11,694 was generated. Continued positive cash flow from operations is anticipated for 2006.

Investing Activities
The Commission incurred capital expenditures of $2,119 in 2005, down from $3,167 in 2004. Under the terms of the Trust Indenture, the Commission maintained four reserve funds in 2005. Contributions to and investment income in the Capital Fund amounted to $3,872 and in the Sinking Fund amounted to $2,570.

The O&M Fund increased by $97 over 2004 and the Debt Service Fund increased by $4 over 2004. The net increase of $101 is the result of the requirements of the Trust Indenture to have the O&M Fund maintained at 25% of the annual O&M expenses and the Debt Service Fund maintained at 50% of annual interest.

The Commission incurred a long term liability of $546 in 2005 representing the Supplementary Employee Retirement Plan.

Financing Activities
On August 19, 2005 the Commission reduced its Line of Credit with the Province of Nova Scotia by $2,200 to $17,000. This reduction was funded from cash on hand.

Capital Structure
The Commission is a non-share entity incorporated by the Province of Nova Scotia. The Commission has never paid a dividend and the payment of dividends is restricted while the Toll Revenue Bonds Series 1 are outstanding.

The long term debt of $111,379 is made up of $94,379 Toll Revenue Bonds Series 1, which bear an annual interest rate of 5.95% and matures on December 4, 2007, and a Line of Credit of which $17,000 is outstanding. This revolving Line of Credit with the Province of Nova Scotia has a limit of $30,000 and bears a floating interest rate. During 2005 this rate ranged between 2.88% and 3.33%. The Line of Credit also matures in December 2007. Interest on the Toll Revenue Bonds is paid semi-annually and interest on the Line of Credit is paid annually.

The Toll Revenue Bonds Series 1 are rated as follows:

Dominion Bond Rating Service Limited	AA (low)
Standard and Poors Ratings Services	A+

THE COMMISSION AND ITS BUSINESS

The Commission was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act* – "Statutes of Nova Scotia", 2005, c.7).

The Commission is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

The *Halifax-Dartmouth Bridge Commission Act*, Section 27 states:

27 (1) With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

27 (2) Where the Government of the Province or the Municipality request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project referred to in subsection (1), the commission may

(A) conduct such investigation and studies as it considers advisable respecting

(I) the need or advisability of a transportation project referred to in subsection (1),

(II) the proper location of any such transportation project,

(III) the manner or method of financing and operating any such transportation project,

(IV) the probable cost of acquiring lands for the purposes of an additional transportation project and the cost of constructing such transportation project,

(V) any other matter related to the construction, operation or financing of a transportation project referred to in subsection (1) that the Commission considers relevant;

(B) for the purpose of making investigation and studies, engage expert or technical assistance;

(C) defray the cost of its investigations and studies out of the ordinary revenue of the Commission;

(d) make reports and recommendations to the Government of the Province and the Municipality.

27 (3) Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

The Commission consists of nine Commissioners. The Province of Nova Scotia appoints five members including the Chair and Vice Chair, while the Halifax Regional Municipality appoints four Councillors to the Commission's Board.

The Commission reports to the Legislature through the Minister of Finance.

The Commission's web site is www.hdbc.ns.ca.

Business

The Commission has operated a two lane bridge, the Angus L. Macdonald Bridge, (the "Macdonald Bridge"), since 1955 (which now has a reversible third lane opened September, 1999) and a four lane bridge, the A. Murray MacKay Bridge, (the "MacKay Bridge"), since 1970.

The Commission has not, at this time, been requested to undertake the construction of a third crossing.

Operation of the bridges and the related approaches includes continuing engineering inspections, routine and long term maintenance, repairs, winter snow and ice clearance, traffic patrols, security measures, toll collection, financial and general administration.

Competition

The Commission does not face competition in any meaningful sense, as the service it provides is unique.

The bridges directly connect the built up areas of Halifax and Dartmouth and generally provide significantly quicker access to the business districts of both communities than do the alternate routes. Pedestrians and bicyclists are not permitted on the MacKay Bridge, but pedestrians may walk and bicyclists ride, across the Macdonald Bridge without charge, in their dedicated lanes.

Those wishing to travel from one side of the Harbour to the other have several means of doing so; among them the Bridges operated by the Commission which constitute the most direct route for motor vehicles across the Harbour. The alternatives are a combination of local streets and public highways around Bedford Basin, a distance of approximately 19 kilometres or more, measured from the Dartmouth approach to the Halifax approach of the MacKay Bridge. The ferries operated by Metro Transit carry only pedestrians and bicyclists.

Financial Affairs

The Commission manages its own financial affairs within the policies established by the Province of Nova Scotia applicable to Crown corporations and government business enterprises generally.

The Commission is self-supporting financially. It charges tolls to vehicles crossing the bridges and collects additional revenue from other utilities which have installed a water line and cables across the bridges.

Public Utility

For certain purposes, the Commission is deemed to be a public utility and is subject to the general supervisory powers of the Nova Scotia Utility and Review Board (NSUARB).

By the terms of the act of incorporation, the Commission is not subject to the provisions of the *Public Utilities Act* (Nova Scotia) relating to (a) new construction, improvements, betterments, or extensions to its property; (b) issue of shares, stocks, bonds, debentures or other evidence as an indebtedness; (c) proper and adequate depreciation of its assets; and (d) setting up, maintaining, use and disposal of depreciation reserve funds.

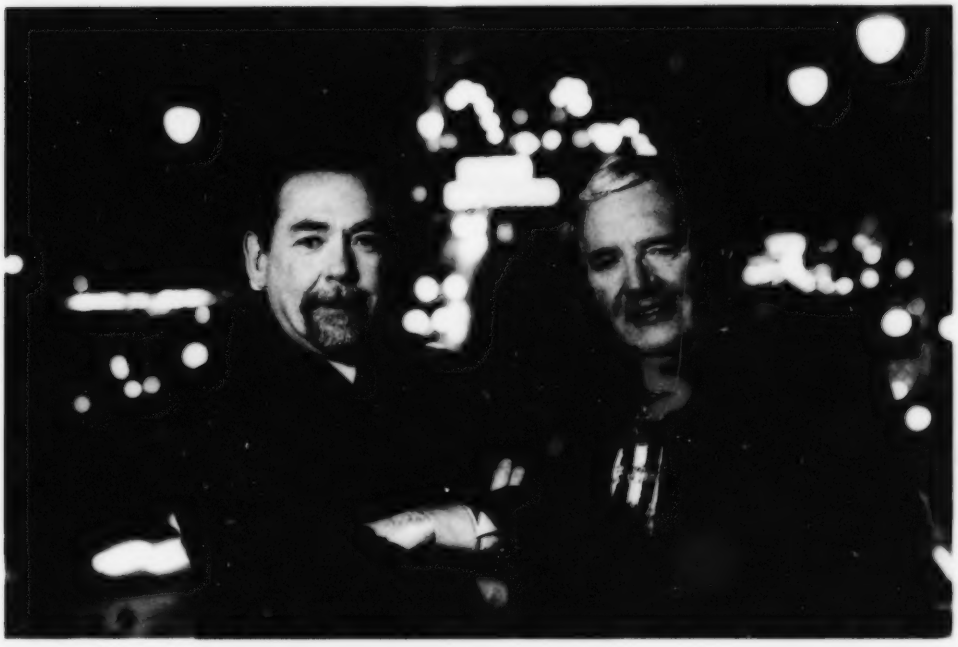
Toll rates for the use of the bridges are subject to NSUARB approval.

Securities Regulations

The Commission is subject to securities regulations in all provinces of Canada.

Halifax-Dartmouth Bridge Commission

The Commission does not have a Board of Directors as such; these financial statements have been reviewed and approved by the Audit Committee of the Commission and by the Commission.



Steven Snider, Ken Munro

For the Year Ended December 31, 2005

The financial statements and all the information in this Annual Report are the responsibility of management and have been approved by the Commission.

Management prepares the financial statements and is responsible for the integrity and objectively of this information. The statements have been prepared using Canadian generally accepted accounting principles and methods appropriate to the Commission including where applicable, amounts based on management's best estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Commission maintains a system of internal controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorization practice, that assets are properly safeguarded, and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties.

The Commission is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility, principally, through its Audit Committee.

The Audit Committee meets periodically with management and the external auditors to discuss audit and financial matters. In addition, the Committee reviews the unaudited quarterly and audited annual financial statements of the Commission and submits its report and the financial statements to the Commission for approval.

Levy Casey Carter MacLean, Chartered Accountants, the Commission's external auditors are engaged to provide an independent audit of the annual financial statements in accordance with Canadian generally accepted auditing standards. Levy Casey Carter MacLean have full and free access to the Audit Committee.

Steven Snider
General Manager & CEO

Ken Munro
Treasurer

Auditor's Report

To the Chairman and Commissioners of the Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2005 and 2004 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Levy Casey Carter MacLean

Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
February 11, 2006

Balance Sheet

Dollars in thousands for years ended December 31

	2005	2004
Assets		
Current:		
Cash (note 1.e.i)	$ 8,352	$ 6,845
Receivables		
Trade	180	89
Accrued interest receivables	32	17
Recoverable HST (note 2)	115	119
Prepaid expenses	276	266
	8,955	7,336
Deferred financing costs and discounts, net of accumulated amortization of $6,899 (2004, $6,104) (note 1.d.i)	1,524	2,318
Deferred transponder charges, net of accumulated amortization of $335 (2004, $270) (note 9)	323	387
Property, plant and equipment (note 3)	66,784	69,922
Restricted assets (note 4)		
OM Fund	2,114	2,017
Debt Service Fund	2,811	2,808
Sinking Fund	13,960	11,891
Capital Fund	21,130	17,257
	$ 117,601	$ 113,436
Liabilities		
Current:		
Payables and accruals, trade	$ 694	$ 843
Project holdbacks payable	298	298
Accrued payables	474	432
Refundable customer transponder amounts (note 9)	2,046	1,804
Deferred revenue (note 3.b) and note 5)	2,911	2,810
	6,423	6,187
Supplementary employee retirement plan liability (note 13)	546	
Long term debt (note 6)		
Toll Revenue Bonds Series 1	94,379	94,379
Line of credit	17,000	19,000
	118,348	119,566
Deficit		
Reserve for restricted assets (note 4)	40,016	33,473
Deficit	(40,763)	(39,603)
	(747)	(6,130)
	$ 117,601	$ 113,436

Contingencies (note 15)

On Behalf of the Commission

Tom Calkin W. Mason

Tom Calkin — *Chair*
Wayne Mason — *Vice Chair*

Statement of Income and Deficit

Dollars in thousands for years ended December 31

	2005	2004
Revenue:		
Toll revenue (note 1(b))	**$ 23,059**	$ 22,978
Other rate revenue	**102**	153
Investment and sundry income		
Restricted funds investment income	**1,572**	1,371
Other	**327**	282
Total Revenue	**25,060**	24,784
Expenses:		
Operating expenses (note 13)	**4,446**	4,037
Maintenance expenses (note 13)	**3,958**	2,671
Amortization of property, plant and equipment	**4,256**	4,303
Amortization of deferred transponder charges	**65**	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	**6,959**	7,197
Loss (gain) on disposal of property, plant and equipment	**(7)**	360
Total Expenses	**19,677**	18,635
Net Operating Income	**5,383**	6,149
Premium on bonds purchased for cancellation	**-**	529
Net Income	**5,383**	5,620
Deficit, beginning of year	**(39,603)**	(38,854)
Appropriation to Restricted Asset Reserve (note 4)	**(6,543)**	(6,369)
Deficit, end of year	**$ (40,763)**	$ (39,603)

Statement of Cash Flows

Dollars in thousands for years ended December 31

	2005	2004
Operating Activities:		
Net income	**$ 5,383**	$ 5,620
Amortization of property, plant and equipment	**4,256**	4,303
Amortization of deferred finance costs	**795**	980
Amortization of deferred transponder charges	**65**	65
Net gain/loss on disposal of capital assets	**(7)**	360
	10,492	11,330
Net change in non-cash operating balances (note 8)	**124**	364
	10,616	11,694
Investing Activities:		
Purchase of property, plant and equipment	**(1,119)**	(3,167)
Proceeds from disposal of property, plant and equipment	**7**	19
Investment in Capital Fund	**(3,872)**	(3,775)
Investment in Sinking Fund	**(2,570)**	(2,483)
Investment in OM Fund	**(97)**	(277)
Investment in Debt Service Fund	**(4)**	166
Increase in Supplementary Employee Retirement Plan liability	**546**	-
	(7,109)	(9,517)
Financing Activities:		
Bonds purchased for cancellation	**-**	(5,621)
Repayment on line of credit	**(2,000)**	(4,000)
	(2,000)	(9,621)
Increase (decrease) in cash during year	**1,507**	(7,444)
Cash, beginning of year	**6,845**	14,289
Cash, end of year	**$ 8,352**	$ 6,845

Notes to the Financial Statements

December 31, 2005

1. Significant Accounting Policies

Dollars in thousands

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use Canadian generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of property, plant and equipment

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components, and transponders which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2017.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f) Investments

Investment in Capital Fund and Sinking Fund are recorded at cost. Interest earned is accrued annually and added to the carrying value of the asset. Premiums paid on the purchase of the investments are added to the cost of the asset and amortized in investment income over the life of the related investment.

g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

h) Other retirement benefit plans (note 13)

The actuarial determination of the accrued benefit obligations for other retirement benefits uses the accumulated benefit method, which is applicable when future salary levels do not affect the amount of employee future benefits.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Property, plant and equipment

Please see page 24

4. Restricted Assets

Dollars in thousands

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from revenues of the Commission, after payment of current operating and maintenance expenses. With the exception of the Capital Fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The Operating and Maintenance (O&M) Fund has maintained as required an amount at least equal to 25% of the annual budgeted O&M expenses for the year. This fund can only be used to pay O&M expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2005 the O&M Fund had a market value of $2,014 and was invested in cash and Government of Canada Treasury Bills maturing in June 2006 with a yield of 3.36%.

The Debt Service fund has maintained as required an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll

Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2005 the Debt Service Fund had a market value of $2,811 and was invested in cash and Government of Canada Treasury Bills maturing in June 2006 with a yield of 3.39%.

The Commission has made as required quarterly contributions of $950 to the Sinking Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds. At December 31, 2005 the Sinking Fund had a market value of $13,890 and was invested in various federal and provincial bonds maturing in 2007 with rates of 3.05% to 6.68%.

The Commission has made as required quarterly contributions of $750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds, or for the maintenance of, or improvements to, the bridges. At December 31, 2005 the Capital Fund had a market value of $20,807 and was invested in various federal, provincial and corporate bonds maturing in 2007 with rates of 3.20% to 7.92%.

5. Deferred Revenue

Dollars in thousands for years ended December 31

	2005	2004
Unredeemed Tokens	$ 1,483	$ 1,308
Electronic Toll Collection (ETC) Accounts	1,428	1,502
	$ 2,911	$ 2,810

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long Term Debt

Dollars in thousands for years ended December 31

	2005	2004
5.95% Toll Revenue Bonds Series 1 (see below)	$ 94,379	$ 94,379
90 Day B.A. Rate + 3/4 of 1% line of credit (see below)	17,000	19,000
	$ 111,379	$ 113,379

5.95% Toll Revenue Bonds Series 1, maturing December 1, 2017, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission, subject to the prior payment of operating and maintenance expenses and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/4 of 1% Province of Nova Scotia Line of Credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of $30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of our expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the our Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission. On August 19, 2005 the Commission paid $2,000 on the outstanding Line of Credit bringing the balance to $17,000.

The estimated fair market value of the $94,379 fixed rate long term debt, based on the quoted market price for the same issue at December 31, 2005 is $97,604.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next two years are as follows:

2006	$ 3,000
2007	$ 3,750

7. Interest on long term debt and amortization of deferred financing costs

Dollars in thousands for years ended December 31

	2005	2004
Interest on long term debt		
Toll Revenue Bonds	$ 5,615	$ 5,615
Line of Credit	549	554
Amortization of deferred financing costs and discounts	795	980
	$ 6,959	$ 7,149

8. Net change in non-cash operating balances

Dollars in thousands for years ended December 31

	2005	2004
Increase (decrease) in cash from changes in:		
Receivables	$ (102)	$ (17)
Prepaid expenses	(10)	(35)
Payables and accruals	(107)	105
Customer transponder amounts	242	246
Deferred revenue	101	65
	$ 124	$ 364

9. Transponders

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see note 3). In both cases, the transponders are being amortized on a straight-line basis to November, 2010.

10. Financial instruments

Fair value of financial instruments

Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and long-term debt. The carrying values of these financial assets and financial liabilities approximate their fair values except for restricted assets and fixed-rate long-term debt, as disclosed in Note 4 and Note 6 respectively.

Interest rate risk

The market value of the Commission's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Note 4. The Commission is exposed to interest rate cash flow risk on the Line of Credit, as the interest rate is a floating rate that is reset as market rates change, as indicated in Note 6.

11. Related party transactions

Dollars in thousands

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia. During the year, the Commission paid $2,000 on the outstanding Line of Credit to the Province of Nova Scotia leaving a balance at December 31, 2005 of $27,000 (2004 - $29,000). In addition, the Commission paid interest during the year on the Line of Credit to the Province of Nova Scotia in the amount of $540 (2004 - $555).

12. Pension plan

Dollars in thousands

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2005. The Commission recognized an expense of $73 representing a 4.5% pension contribution for 2005 (nil for 2004).

13. Retirement benefits

Dollars in thousands

a) Canadian generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees whose age and years of service total 80, or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $286 (2004 - $239) in retirement benefits at December 31, 2005. The amount of $27 was charged to administrative and maintenance expenses for the year (2004 - $59) in this regard.

b) Operations and Maintenance wages increased due to a one time pension accrual adjustment required for employees that changed from the former Defined Benefit Pension Plan to the current Defined Contribution Pension Plan. This is a Supplementary Employee Retirement Pension (SERP). The Operations wages increased by $207 and the Maintenance wages increased by $339. This accrual amounted to $546 in present value dollars.

The Supplementary Employee Retirement Plan (SERP) is an unfunded defined benefit pension plan which provides for benefits to employees under the following conditions. In summary, benefits are payable for up to ten (10) years commencing at age 60. Benefits are in respect of service prior to January 1, 1991 and no further benefits are being accrued by existing members nor will there be future members under this arrangement. Pension benefits are based on length of service and earnings up to 1991. Benefits are not indexed for inflation either before or after retirement.

A summary of principal pension expense and disclosure information, as required for disclosure purposes pursuant to CICA 3461, for the current fiscal year follows. Actuarial measurements are as of December 31, 2005.

Components of Net Periodic Pension Cost

Dollars in thousands for years ended December 31

	2005	2004
Interest cost	$ -	$ -
Past service cost	546	
Costs arising, and net periodic pension cost recognized, in the year	**$ 546**	$ -

Weighted Average Assumptions for Expense and Disclosure

	Discount rate
2005	4.7%
2004	

Note 12 continued

Changes in Accrued Benefit Obligation

Dollars in thousands for years ended December 31

	2005	2004
Accrued benefit obligation at end of prior period	**$ -**	$ -
Interest cost	-	-
Benefits paid	-	-
Past service cost	**546**	-
Accrued benefit obligation at end of year	**$ 546**	$ -

Reconciliation of Funded Status to Accrued Benefit Asset (Liability)

Dollars in thousands for years ended December 31

	2005	2004
Excess (Deficit) at end of year	**$ (546)**	$ -
Unamortized net actuarial loss (gain)	-	-
Accrued benefit asset (liability)	**$ (546)**	$ -

14. Incorporation

The Halifax Dartmouth Bridge Commission (the Commission) was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax Dartmouth Bridge Commission Act* – "Statutes of Nova Scotia", 2005, c.71).

The Commission is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (1) – With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

The Government of the Province or the Municipality may request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the *Halifax Dartmouth Bridge Commission Act*, Section 27 (2).

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (3) – Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

15. Contingencies

Dollars in thousands

a) A claim in the amount of $1,044 has been made against the Commission for alleged damages caused to a property owner by modifications to the Angus L. Macdonald Bridge. The eventual outcome of this action is not determinable at this time, and therefore, no amounts have been included in these financial statements.

b) An accrued liability of $546 has been included in long term liabilities on the Balance Sheet representing the Supplementary Employee Retirement Plan (see Note 13) which is subject to approval by the Department of Finance, Province of Nova Scotia.

16. Additional Credit Facility

Dollars in thousands

The Commission has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2005, no advances were outstanding.

17. Comparative figures

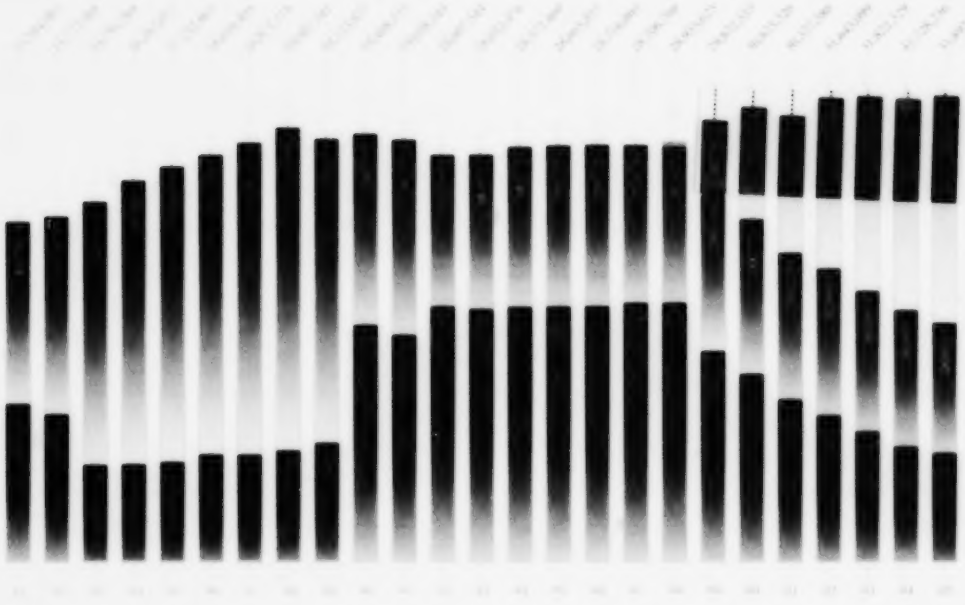
In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

3. Property, plant and equipment (*please see page 21*)

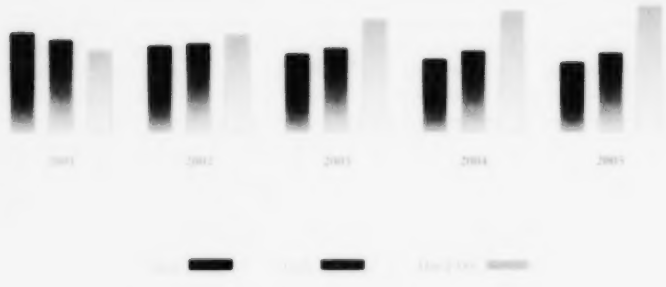
Dollars in thousands for years ended December 31

		2005			2004
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		$ 5,735	$ -	$ 5,735	$ 5,735
Buildings	40 yrs s.l.	2,512	1,522	990	895
Bridge and bridge components					
Angus L. Macdonald	20 to 85 yrs s.l.	67,549	22,249	45,300	47,768
A. Murray MacKay	15 to 80 yrs s.l.	24,034	12,634	11,400	12,136
Electronic toll transponders	10 yrs s.l.	1,753	734	1,019	1,080
Computer equipment	30% d.b.	683	560	123	131
Toll and other equipment	20% d.b.	6,698	4,767	1,931	1,839
Mobile equipment	30% d.b.	1,153	867	286	308
		$ 110,117	$ 43,333	$ 66,784	$ 69,922

Total Annual Traffic Crossings By Volume



Cash and Token Usage Declines as *MACPASS* Grows



Board of Commissioners
As of December 31, 2005

Standing left to right
Councillor Bob Harvey
Councillor Patrick Murphy
Chair Tom Calkin
Commissioner Clint Schofield
Commissioner Wayne Mason

Seated left to right
Councillor Debbie Hum
Commissioner David Cowell
Councillor Linda Mosher
One Vacancy